HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

BANKING AND COMMERCE

Chairman: C. A. CATHERS, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

Bill C-37

An Act respecting the Taxation of Estates

FRIDAY, JULY 18, 1958

WITNESS

Dr. A. K. Eaton, Assistant Deputy Minister of Finance (on retirement leave).

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

60880-2—1

STANDING COMMITTEE ON BANKING AND COMMERCE

Chairman: C. A. Cathers, Esq.,

Vice-Chairman: M. Deschambault, Esq.,

and Messrs.

Allard	Gour	Morton
Allmark	Horner (*The Battlefords*)	Nugent
Asselin	Horner (*Jasper-Edson*)	Pallett
Benidickson	Jones	Pascoe
Brassard (*Chicoutimi*)	Jung	Pickersgill
Cardin	Keays	Regier
Cathers	Lockyer	Robichaud
Chevrier	MacLean	Rowe
Chown	(*Winnipeg N. Centre*)	Rynard
Coates	Macnaughton	Southam
Creaghan	Macquarrie	Tasse
Crestohl	MacRae	Taylor
Deschambault	Martel	Thomas
Drysdale	Martin (*Essex East*)	Thrasher
Dumas	McIlraith	Vivian
Flynn	More	White
Fraser	Morris	Winch.

ANTOINE CHASSE
Clerk of the Committee

ORDERS OF REFERENCE

House of Commons, TUESDAY, June 3, 1958.

Resolved,—That the following Members do compose the Standing Committee on Banking and Commerce:

Messrs.

Allard,	Gour,	Morton,
Allmark,	Horner (Jasper-Edson),	Nugent,
Asselin,	Horner (The Battlefords),	Pallett,
Benidickson,	Jones,	Pascoe,
Brassard (Chicoutimi),	Jung,	Pickersgill,
Cardin,	Keays,	Regier,
Cathers,	Lockyer,	Robichaud,
Chevrier,	MacLean (Winnipeg	Rowe,
Chown,	North Centre),	Rynard,
Coates,	Macnaughton,	Southam,
Creaghan,	Macquarrie,	Tassé,
Crestohl,	MacRae,	Taylor,
Deschambault,	Martel,	Thomas,
Drysdale,	Martin (Essex East),	Thrasher,
Dumas,	McIlraith,	Vivian,
Flynn,	More,	White,
Fraser,	Morris,	Winch—50.

(Quorum 15)

Ordered,—That the Standing Committee on Banking and Commerce be empowered to examine and inquire into all such matters and things as may be referred to it by the House; and to report from time to time its observations and opinions thereon, with power to send for persons, papers and records.

TUESDAY, June 10, 1958.

Ordered,—That Bill S-2, An Act respecting The Protective Association of Canada, be referred to the said Committee.

Ordered,—That Bill No. S-3, An Act respecting The Mercantile and General Reinsurance Company of Canada Limited, be referred to the said Committee.

(*Minutes of Proceedings and Evidence relating to these two private bills were not printed*).

THURSDAY, June 19, 1958

Ordered,—That the said Committee be empowered to print such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto;

Ordered,—That the said Committee be granted leave to sit while the House is sitting;

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Ordered,—That the quorum of the said Committee be reduced from 15 to 10 members and that Standing Order 65(1)(d) be suspended in relation thereto.

WEDNESDAY, July 16, 1958

Ordered,—That Bill No. C-37, An Act respecting the Taxation of Estates, be referred to the Standing Committee on Banking and Commerce.

Attest.

LEON J. RAYMOND,
Clerk of the House.

TUESDAY, June 17, 1958.

The Standing Committee on Banking and Commerce has the honour to present its

FIRST REPORT

Your Committee recommends:

1. That it be empowered to print such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto.

2. That it be granted leave to sit while the House is sitting.

3. That the quorum of the Committee be reduced from 15 to 10 members and that Standing Order 65(1) *d*) be suspended in relation thereto.

Respectfully submitted,

C. A. CATHERS,
Chairman.

MINUTES OF PROCEEDINGS

Room 497, House of Commons,
TUESDAY, June 17, 1958.

The Standing Committee on Banking and Commerce met at 9:30 o'clock a.m.

Members present: Messrs. Allmark, Brassard, (*Chicoutimi*), Cathers, Chown, Coates, Crestohl, Deschambault, Fraser, Gour, Horner (*Jasper-Edson*), Jones, Keays, Lockyer, Macquarrie, More, Morton, Nugent, Pallett, Pascoe, Pickersgill, Southam, Tasse, Vivian, Winch.

The Clerk of the Committee attended to the election of a Chairman.

Mr. Macquarrie moved, seconded by Mr. Pascoe, that Mr. Cathers be elected Chairman of the Committee.

Mr. Lockyer moved, seconded by Mr. Morton, that nominations be closed.

The question on the proposed motion of Mr. Macquarrie having been put, it was carried unanimously.

Mr. Cathers took the chair.

Mr. Morton moved that the Committee elect a Vice-Chairman. Whereupon Mr. Deschambault moved, seconded by Mr. Nugent, that Mr. Tasse be elected Vice-Chairman.

The question having been put on Mr. Deschambault's motion, it was carried unanimously.

On motion of Mr. Lockyer, seconded by Mr. Nugent,

Resolved: That the Committee be empowered to print such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto.

Mr. Pallett moved, seconded by Mr. Jones, that the Committee be allowed to sit while the House is sitting. Some discussion followed.

And the question having been put on the proposed motion of Mr. Pallett, it was, on a show of hands, resolved in the affirmative. Yeas, 20; Nays, 2.

Mr. Chown moved, seconded by Mr. Fraser, that the quorum of the Committee be reduced from 15 members to 10 members. Some discussion followed.

And the question having been put on the proposed motion of Mr. Chown, it was, on a show of hands, resolved in the affirmative. Yeas, 20; Nays 3.

On motion of Mr. Pickersgill, seconded by Mr. Vivian,

Resolved: That the Chairman, the Vice-Chairman, and five other Members of the Committee to be named by the Chairman act as a Subcommittee on Agenda and Procedure.

At 10:15 o'clock a.m., on motion of Mr. Pickersgill, the Committee adjourned to the call of the Chair.

Antoine Chasse,
Clerk of the Committee.

Room 118,
FRIDAY, July 18, 1958.

The Standing Committee on Banking and Commerce met at 11:30 o'clock a.m. The Chairman, Mr. C. A. Cathers, presided.

Members present: Messrs. Allard, Cathers, Chown, Creghan, Deschambault, Drysdale, Dumas, Horner (*The Battlefords*), Horner (*Jasper-Edson*), Jones, Lockyer, MacLean, (*Winnipeg North Centre*), Macquarrie, Martel, McIlraith, More, Morton, Pascoe, Regier, Robichaud, Rynard, Tasse, Thrasher, Winch.

In attendance: Honourable Donald Fleming, Minister of Finance; Dr. A. K. Eaton, Assistant Deputy Minister, Department of Finance, (on retirement leave); Mr. Gear McEntyre, Deputy Minister, National Revenue, Taxation Division; Mr. W. I. Linton and Mr. A. L. DeWolf, of the Department of National Revenue; Mr. E. H. Smith, Department of Finance; Mr. D. S. Thorson, Department of Justice.

On motion of Mr. Chown, seconded by Mr. Martel,

Ordered,—That pursuant to the Order of Reference of Thursday, June 19, 1958, the Committee print, from day to day, 1,000 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence relating to the deliberations of the Committee on Bill C-37.

The Chairman welcomed the Minister of Finance, who in turn introduced the officials in attendance.

The Committee took into consideration Bill C-37, An Act respecting the Taxation of Estates.

Mr. Fleming made a lengthy presentation respecting the legislation before the Committee and Dr. Eaton added a few words at the conclusion of the presentation.

Clause 1 of the Bill was considered and adopted.

Clause 2 of the Bill was under consideration as the Committee rose.

After some discussion it was agreed that the Committee should meet on Monday next in the afternoon and evening and the following Tuesday afternoon and evening, if necessary.

At 1:15 o'clock p.m. the Committee adjourned to meet again at 3:30 o'clock p.m. Monday, July 21st, 1958.

Antoine Chasse,
Clerk of the Committee.

EVIDENCE

FRIDAY, July 18, 1958,
11:30 a.m.

The CHAIRMAN: Gentlemen we have a quorum.

The business before us this morning is one of going into this bill on taxation of estates which succeeds the old succession duty tax bill. The Minister of Finance is with us this morning. We are anxious to get along so I am going to ask for a motion now in regard to the printing of the minutes.

Mr. CHOWN: Mr. Chairman I move, seconded by Mr. Martel that pursuant to the order of reference of Thursday, June 19, 1958, the committee print from day to day 900 copies in English and 250 copies in French of its minutes of proceedings and evidence as they relate to the deliberations of the committee on Bill C-37.

The CHAIRMAN: You have heard the motion moved by Mr. Chown, seconded by Mr. Martel regarding the printing.

Mr. MCILRAITH: Mr. Chairman, I am wondering if the minister has considered the adequacy of the number of copies to be printed in English? This is rather an important bill with widespread interest. I wonder if 900 copies will be sufficient. Has the minister considered it? If he has then this number is all right with me.

Hon. DONALD M. FLEMING (*Minister of Finance*): Mr. Chairman, I had not considered it but I should think 900 would probably be sufficient. If you would like to increase the number a little I think that would be all right. I suppose this is a matter for the committee to decide on.

Mr. MCILRAITH: I suppose the number depends entirely on the inquiries and the degree of interest which has been evident to the Department of Finance in regard to this bill.

The minister is in a better position to assess this degree of interest than I am, but I would think the interest is rather widespread.

Mr. CHOWN: I am prepared to amend the motion.

The CHAIRMAN: Could the motion be amended to read "1000 copies in English and 250 copies in French"?

Mr. MCILRAITH: I just wondered if the minister had considered it. I think the interest in this bill is very high.

The CHAIRMAN: I am going to call upon the minister immediately to explain the bill.

Mr. MCILRAITH: Mr. Chairman, I wonder if I could raise another point? This is a point I hesitate to raise yet I think it is important that it be mentioned.

This is an important bill. There has been a good deal of interest building up over the last two or three years in regard to other preceding bills which were being worked on. This bill represents the accumulation of a good deal of work done by the various departments concerned.

We are in the position that the minister took what I thought was a fairly limited view of our rights to discuss this in the resolution stage. I do not want to go back over that, but in regard to the second reading of the bill we had the extraordinary situation that the minister made no statement whatsoever

in regard to this bill. Indeed, I checked his remarks this morning in regard to the second reading stage and they are embodied in four sentences.

I only received my notice of this meeting this morning. I come in reasonably early in the morning but—

Mr. JONES: You must not pick up your mail because notice was sent out earlier than that.

Mr. MCILRAITH: I pick up my mail three times a day. I do not know when other members received notice of this meeting.

An hon. Member: Yesterday.

Mr. MCILRAITH: The members on my rigth say they received their notice yesterday afternoon. My notice was not in the mail yesterday at six o'clock. This may be a personal matter only.

In any event, the point I wanted to make is this: the House of Commons is in session now dealing with matters which are rather important. I would hope that more care can be given to the choosing of the times of sitting of this committee in order to reconcile the sittings with the business in the House of Commons. I hope there can be a little cooperation in regard to that point because, if it is necessary at all to sit when the House of Commons is sitting—it may well be with the longer hours of sitting—I would ask that there be some reconciliation of the time of sittings.

For instance, the minister undoubtedly will not want this committee to sit when his own budget resolutions are before the house. There are other departmental matters which are before the House of Commons in which private members are interested and directly concerned. I would ask there be a little more care and consideration given to these hours of sittings, and as much notice given as is possible under the circumstances.

The CHAIRMAN: Mr. McIlraith, as you know, this bill was not presented to the House of Commons until Wednesday. I sent out notice as soon as possible thereafter. I am not familiar with your collection of mail, but the rest of the members received notice of this meeting yesterday afternoon.

Mr. MCILRAITH: Members on my right say they received notice of this meeting yesterday afternoon.

Mr. JONES: In regard to this question of the inadequacy, I would just like to suggest, Mr. Chairman, that here in this committee is the place where this bill will receive the most complete discussion. I believe this is the proper place to deal with a complex bill such as this.

Mr. MCILRAITH: I merely wanted to point out the difficulties. If the chairman takes cognizance of them that will be sufficient.

Mr. FLEMING (*Eglinton*): Mr. Chairman and gentlemen, thank you very much for the opportunity of appearing before you in connection with this bill. We are here with the officials of the Department of Finance; the Department of National Revenue and the Department of Justice who have been concerned with the preparation of the bill and the very intensive studies which have led to this point.

Perhaps I should say a word at this point about the officials who are here and who, I believe, will be in attendance on the committee as long as they are required.

You are all acquainted with Dr. A. K. Eaton who, until the 15th day of this month, was the assistant deputy minister of the Department of Finance and he, as you know, has participated in the writing of the budget for the last 25 years. Dr. Eaton has entered upon a tax consulting practice but he was good enough even after staying on until July 15 at my request to help in connection with the budget this year, to agree to come back and attend the meetings of the committee day by day as it sits.

Then, the committee I am sure is well acquainted with Mr. J. Gear McEntyre, deputy minister of National Revenue (Taxation). Probably it would be the simplest if I took the gentlemen in the order in which they appear before you.

On the left is Mr. Thorson who is one of the consel to the Department of Justice and in that capacity is the draftsman of all bills in the Department of Finance that relate to taxation.

Then, Mr. Linton, who is the administrator of succession duties in the Department of National Revenue and has held that position now for over a decade. Mr. Linton has had a great deal to do with the preparation of this bill.

Next to him is Mr. DeWolf who is likewise a senior official of very long experience in the Department of National Revenue associated with the succession duties. Mr. Simth is with the Department of Finance in the tax office of which Dr. Eaton was the head until the fifteenth.

Gentlemen, these officials are here to give you service and I assure you that information and explanation on everything in this bill that anybody wants to know will be given.

Now, something was said about the second reading and I do not think I need occupy the time of the committee to dwell on that subject, Mr. Chairman. The purpose of the bill was touched on last December. It was introduced and touched on again in January. The bill was circulated and has been the subject of very careful study.

Then, referred to it again in the budget speech on June 17. We had a discussion in the committee of ways and means on the resolution paving the way for introduction of the bill. The procedure was carefully outlined. It was, I understood, acceptable to all. The financial critic of the official opposition, with whom I discussed these procedures at various stages on second reading, did not ask for a statement from the minister, made a very short statement himself and I think for very good reasons because the only discussion that could have been had on second reading in the house was on the principle of the bill.

The principle of the bill, Mr. Chairman and gentlemen, can be stated very simply. The principle of the bill is to introduce an estate tax principle instead of the succession duty principle and to effect a reduction in the aggregate impost by the federal government on the estate of a deceased person. That is the principle of the bill.

Any intrusion into the principle of the bill's intention would have been out of order on second reading and it is far from unusual to have only the shortest kind of debate, indeed any debate at all on second reading on a financial bill, on a financial bill such as this bill or such as the annual income tax amendment bill. The work that is done is done in committee and I think that was the feeling in the house and I certainly was not asked to make any extended statement and any statement I might have made on this would have been very, very brief in any event.

In this committee now, sir, we have the bill before us. May I just say a word about some features of the bill and also offer a suggestion, if I may, in regard to the sittings of the committee.

So far as the sittings of the committee are concerned, of course, they are in the hands of the committee. It is the committee that decides when it shall sit and where, and we are here before you, the officials and myself, to be at your service at all times.

May I offer this suggestion in regard to the sittings in the hope that it may meet with the approval of the committee. Mr. McIlraith has raised a point about the committee sitting while the house is in session. He will recall as I do, the course which was followed by Mr. Abbott, then minister of finance, when the present Income Tax Act was introduced. This goes back about ten

years now. That bill had been the result of extended study just like the bill that is now before the committee. The minister and officials of the department were here and had heard many representations on that bill from interested organizations and when the bill arrived before this banking and commerce committee the minister made the suggestion which I would like to offer now in the hope that it may assist the committee.

Instead of spreading the meetings of the committee out over, say, a couple of mornings a week I think that it would contribute greatly to the understanding of the bill and to orderly approach to its review as well as to the elimination of the problem which I am sure many members are faced with, of trying to be in two places at one time, if the committee just assessed the situation and settled it now to set aside a couple of days and apart from being in the house for the orders of the day to sit right through mornings, afternoons and evenings and do an intensive job on it. That was Mr. Abbott's suggestion with regard to the income tax bill and it was accepted. Although the bill was even a larger bill than the one now before the committee, that procedure was followed and I think it was found to be very useful because it meant that the committee got a sustained coherent review of the bill instead of coming and going and maybe having some members at one meeting and not at another and repetition of questions that had been asked at previous meetings.

It contributed, I would suggest, to the effectiveness of the hearings of the committee as well as possibly avoiding the problem that members have and had at that time of trying to be in two places at one time.

My officials are here as I have said. I have some concern about Dr. Eaton. It will help us so far as calling upon his time, taking him away from his new work, if that procedure is adopted, and I commend it to the chairman and the committee.

Next, may I say a word, sir, about the representations which have been received concerning this measure. The subject of an estate tax has been under consideration in the Department of Finance for some years.

Members who were here prior to 1957 will recall that we had asked at budget time, year by year, for some four years about a revision of the Dominion Succession Duty Act. Indications were given year by year by the then minister of finance that the work of revision was underway in the department and that he looked forward to introducing it at the next session.

I emphasize that by way of indicating this is not a suddent matter; it has had study over the years in the department.

Last fall, after I became minister, I felt this bill should be brought before the house at the 1957-58 session even though it would not be feasible nor, we thought, wise to ask the house to adopt it at that session. We brought it before the house, as hon. members will recall, in the form of Bill No. 248 which had first reading on January 29, 1958. The bill was not carried beyond that stage and in the statement made in the house at the time of introduction I said it was the hope of the government that interested organizations—I was thinking particularly about the professional organizations—would give us the benefit of their study of the measure and their comments and views on it.

I did not narrow that to the professional associations; I asked for representations from anybody who was interested in the subject and was prepared to study fully and assist us in that way. As I have already reported to the house, we have received a widespread response. We did receive the assistance and the views of many organizations who had made a study of the bill. There were, of course, a number of individual letters that were received which did not cover the same ground as the briefs submitted by some of the national organizations connected with industries or businesses directly related to taxation. These briefs were studied and there were hearings in the department

extending over a period of some time with those organizations, which indicated they wished to be heard. There were a number of these hearings.

Now, I can say to the committee, Mr. Chairman, that we have considered every question submitted to us, every proposal, every submission, every view. They have all been very carefully considered and they were considered except for a few latecomers before the budget was introduced.

Now, with the introduction of the bill, I may say that we have introduced some changes in the bill as compared with that at the last session on matters on which we were urged to make changes in some of these briefs. In some cases we have not seen our way clear to follow the requests that were made. Indeed, that would not have been possible in all cases because naturally there were conflicting representations made to us. There is not unanimity on some aspects of matters of this kind and I suppose never will be, in a free society. But as to all the submissions that have been made to us, we are here before you to indicate, in any particular whatever, why we have made any change that does appear in this bill as compared with bill 248 of the last session—why, when that change represents a portion, and a portion only, of views of some organizations, we accepted some of their views and rejected others, and why in other cases we have not adopted any feature of the representations that were made by a particular organization on a particular point.

For that reason, Mr. Chairman, I think it can be said that all the interested national organizations were heard. I think we were told by all of them that they were given a good, fair and ample hearing; and before this committee, as was the case when the income tax bill was before this same committee something like ten years ago, we are here to tell you in every case whatever you may wish to know about the representations made by any organization. The briefs were tabled in the house. We have them here with us, and we can tell you in every case what the view of any of these national organizations is on any particular point. We can deal with the reasons why the view submitted was either accepted or rejected, or partly accepted and partly rejected.

So we have all that information before you and can give you all required assurances that the national organizations have all been heard already in the department, and that the course that I am now proposing to the committee is precisely the course that was recommended to the committee by Mr. Abbott when the income tax bill was before it, and was followed by the committee with, I think, satisfactory results.

Perhaps now, Mr. Chairman, to conclude these opening remarks it might be of assistance to the committee if I just outlined very briefly the principal departures from Bill 248 of the last session. Here I am aware of the dangers of general statements, because in a taxing bill with fairly detailed provisions general statements very often have to yield to exceptions and qualifications. Within that reservation however perhaps it might be of some assistance to the committee if I gave a simple outline and mentioned the principal changes between bill C-37 now before the committee and Bill 248 of the last session. I stated in the house there have been many changes. They are not all of course of equal importance. My present comment will therefore be confined simply to the principal ones.

First on the subject of exemptions; naturally we have had many representations on the subject of exemptions. So far as I am aware, nobody has asked for a reduction in the exemptions and nobody has asked for an increase in the rates of taxation. That may be a surprise to some honourable members, but I think it is a fact. Consequently, on exemptions the representations have been in general in the direction of asking for increases. Here again, gentlemen, the Minister of Finance is faced with a few problems and cannot

just accede to everybody's request for increased exemptions and reductions in taxation, much as he would, in his big heart, like to do so. However, we have made one change in the exemptions by way of an increase.

Here let me say that there has been evident in many of the letters that we have received a quite fundamental misconception as to the effect of the exemption in relation to estates up to $50,000. As is the case with the present succession duty, no estate will be taxed under the present bill in such a way as to reduce the estate below $50,000. Therefore, in the case of any estate of $50,000 there is no taxation levied. But that is a rather different question from questions in relation to basic exemption. We put aside now the case of all estates up to $50,000; there is no taxation there at all. However, what about larger estates? The old rule has been that once the estate exceeded $50,000, the whole estate became taxable, subject to certain specific exemptions. Well now, what we have done—and perhaps I should say Bill 248 provided a basic exemption of $30,000 for all estates—we have increased that to $40,000. Therefore, regardless of the amount of the estate there will always be, if this bill is approved, a minimum of $40,000 subtracted from the aggregate net value of the estate for tax purposes.

For instance, to start with an estate of $70,000, if you want to arrive at the amount of that estate which will be subject to taxes, you will simply deduct—assuming it is not an estate with a widow or children—that basic exemption of $40,000 and you are left there with $30,000 which would be subject to taxation. Now that, as I say, represents the change in the bill, the increase in that basic exemption from $30,000 to $40,000. There is no change in the larger exemptions that are available in the case of estates where there is a widow of the deceased person. In those cases there is, provided there is a surviving widow, a basic exemption of $60,000. That is not in addition to the $40,000, but that is the basic exemption in the case of all estates where the deceased person is survived by a widow. In addition where such a situation exists, where the deceased person is a father and leaves dependent children under 21 years of age, there is again an exemption of $10,000 for every child, every one of these dependent children. Accordingly, if the deceased was a man leaving a widow and four children there would be an exemption of $100,000; $60,000 because there is a widow and $10,000, because of each dependent child under 21 years of age. So that if John Jones dies leaving an estate of $110,000 and has a widow and four dependent children under 21 years of age, we will subtract from that estate in order to determine the net taxable portion of the estate $100,000, arriving then at a net taxable estate of $10,000. That is the way that exemption works; it is a deduction from the estate.

Now, I do not want to anticipate in detail the other provisions in the section dealing with exemptions. We will come to those in due course. Perhaps I should not even mention the section because everybody will turn to it and we will probably be getting into the detail when we are still on this general review.

However, clause 7 is the clause which deal with exemptions. I have emphasized that this $60,000 applies where the deceased person is the husband and there is a surviving widow.

Someone may ask, well what about the case where the wife dies and is survived by the husband? Because so much of our law is built upon favouring and protecting the widow we have not provided here a basic exemption of $60,000 where the wife dies leaving a surviving husband. We do not think there are reasons, in most cases, why the husband should receive the same treatment under the law as the widow. In the ordinary case, the example of where the husband survives the wife, the $40,000 basic exemption which I

mentioned is to take care of the case where the surviving husband is not an infirm person. You will find that a definition of infirmity is that an infirm person is a person who cannot go out and earn a living. In that case of an estate where there is an infirm husband surviving the wife, it is put on the same basis with a $60,000 exemption as in the case I mentioned earlier of the widow surviving the husband.

In the case of the widow there are no strings attached. As long as there is a widow surviving there is an exemption of $60,000. The only case where there is a like exemption extended to the estate of the wife is where there is a surviving husband who is infirm, and if it is a case which complies with a definition of infirmity contained in the act. Perhaps that is enough to say on the subject of exemptions.

Next I want to say a word about the estate tax principle. Here we are breaking new ground as far as federal legislation in Canada is concerned. It may not be easy for hon. members who have been accustomed to thinking in terms of the succession duty principle to translate their thinking into the estate tax principle.

The basis of the succession duty principle is that the law looks at the estate, or let us say the benefit, that passes from the deceased person to any particular person who derives benefit on the death, either the person who derived a benefit through a will, or in the absence of a will, through the law of the province concerned which governs the devolution of the estate of the deceased person.

The basis of the Succession Duty Act has been on the statute books of this country since 1941 and has hardly been revised in any material degree since that time. Any revisions have been quite slight. This is the first time in seventeen years that there has been anything like a comprehensive review of the federal tax legislation in respect of the estates of deceased persons.

This estate tax principle, which is introduced now, has been in effect in the United Kingdom for some years. It is not new in similar jurisdictions in the world by any means. As a matter of fact it is quite old. But it is new as far as the federal legislation in Canada is concerned.

The essence of the estate tax principle is that the law does not look at the benefit passing on the death of the deceased to any particular person. It simply looks at the estate en masse and says, here is an estate with an aggregate net value of so many dollars, and on that total estate we apply a given tax. Then that leads us to the incidence of the tax.

Under the Succession Duty Act, the tax is levied on the succession. Therefore, it is the successor, the person to whom the benefit passes on the death of the deceased, again on whom the tax is, in the first instance, levied. With the estate tax principle, the tax, being an estate tax, is levied on the estate which comes into the hands of the personal representative of the deceased or an executor or administrator.

Now, consider what happens where the deceased does not leave an estate, where there is no executor and no occasion to seek the appointment of an administrator. What happens then? Well, there is provision in this bill for such cases to make sure that the tax is duly paid where exigible, on such portion of the property as is deemed under the act to pass on the death of the deceased, because, as hon. members are aware, there is property under our Succession Duty Act, and is under this bill, that is deemed to pass on the death of the deceased even though apart from the operation of this tax law it does not in fact, in law, pass at that time.

Take the sample case of a person who realizes his days are numbered and, let us say in what turns out to be an act before his death, parts with his entire estate. It would not be tolerable that the tax laws should be defeated by gifts of property under those circumstances. The law has made provision for gifts to

be deemed to be brought into the estate on death if those gifts were made within three years of the death of the deceased. The same rule applies under this new bill. If there are gifts made more than three years before the date of death they are not brought into the estate for tax purposes. If they are made within three years before the date of death they are brought into the estate for tax purposes and, of course, should be. In that event, suppose the deceased has parted with his entire estate, then we simply have to look to the donee, the person in whose favour he has made gifts in this period of three years.

This bill does make provision for a collection of this tax. On the estate tax principle the primary liability for the estate tax is on the executor since the tax is levied on the estate and therefore is the responsibility of the person who acts on behalf of the deceased who, in the great majority of cases, is the executor of his will or the administrator of his estate.

Mr. CREAGHAN: In that last example which you gave, if the man gave away all of his estate you would bring an action against the donee?

Mr. FLEMING (*Eglinton*): Yes. The liability is placed upon the donee.

I again emphasize what I said at the beginning. I am making quite a general statement now. When we reach that clause of the bill, members will see that we have spelled out in very great detail what happens in that case to make sure that the tax is equitably collected from all estates in accordance with the rules that have committed themselves to the judgment of parliament.

The next matter that I might mention is the subject of joint property. Joint property has been a difficult problem with respect to the application of succession duty or estate tax because under the law of the province—and here we are dealing with law made by the province with which parliament has no right whatever to interfere; and believe me there is no attempt in this bill to trespass one iota upon the exclusive jurisdiction of the provinces over property and civil rights. I want to make that as clear as I can. As a matter of fact, the adoption of the estate tax principle makes it easier to avoid even the appearance of trespass upon that exclusive jurisdiction of the province; because here we do not attempt to force a testator, a deceased person, to dispose of his property in particular ways. We say that that is the exclusive jurisdictional right of the province.

All that parliament is looking at here is the estate en masse, levying an estate tax on the aggregate of the estate, and looking at it not in terms of the bits and pieces into which the testator has broken it up or, in the absence of a will, into the bits and pieces into which provincial law may break it up. Parliament simply looks at the aggregate and levies its tax on the aggregate. In this matter of devolution we come to this question of joint property. It is the law of the province, and the law of the province alone, that says where there is a true joint tenancy, that on the death of one of the joint owners there is direct operation of the law of survivorship; and there is at the moment of death of one of the joint tenants an automatic, immediate merging of the estates of the two persons.

Parliament cannot say, parliament has no right to say, that in that situation the law of the province shall not operate and there shall not be a merger of the joint interest of the deceased person with the joint interest of the survivor at that moment of death. What the Succession Duty Act has said in the situation is that there shall be a tax levied on the assumption that the position of divided interests in the property, which exists up to the day of death, shall for tax purposes in effect be deemed to have survived for tax purposes only.

We have taken a look at this question of joint property and in this respect we have gone beyond the provisions of bill 248. The old law under the Succession Duty Act said that, in all cases this joint tenancy should for tax purposes

be deemed to survive the death, that is the joint property insofar as the contribution of the deceased is concerned should be deemed in effect to have survived death for tax purposes. We have eliminated that rule in this new bill. I hope that will commend itself to hon. members.

Let me say this, that we are recognizing in full the ownership principle created under the provincial law. In other words where under the provincial law there is a merger of the joint interests at the moment of the death of the deceased, that shall be recognized for all purposes. The only qualification we make under this bill is in relation to what has been done within three years of the date of death. If that joint tenancy was set up by the deceased person by way of what is a gift of a joint interest to some other person more than three years before the date of death, then the property is not included in the estate. It is exempt; but if the joint tenancy was created by the deceased within three years prior to the date of death and by way of a gift of a part interest in the joint property, then it is treated like any other gift. I think that rule is fair and equitable. It will be seen at once that the effect of the enactment in this bill will be to relieve from the tax that would otherwise be applied under the Succession Duty Act, the tax or duty on joint tenancies with the one exception I have mentioned.

Mr. RYNARD: I just have not got this absolutely clear and should like to state this as an example. If there is a joint tenancy of $50,000 each in an estate and one dies, what happens? Is there a tax on the $50,000?

Mr. FLEMING (*Eglinton*): No. The $50,000 that is held by the survivor would not be taxed unless it were itself a gift, within three years of the date of death, a gift from the deceased.

Mr. MORTON: The joint tenancy as I understand it is when the ownership passes on death of one of the parties to the surviving party, so would the tax, let us say on $50,000 owned jointly where the wife survives be on the $25,000 which is deemed the husbands share, or is the whole $50,000 exempt under the new section?

Mr. FLEMING (*Eglinton*): It depends entirely on how it was created. If you start off with a living man who, we will say, has a property to the value of $50,000 and he creates a joint tenancy by making his wife a joint owner with him, now at the moment of transfer it could be, if they part with the property, the equivalent of giving her $25,000. But you see we go on to the moment of death—they retain the property.

Now, if it is the wife who dies, then obviously in that case the husband is the survivor. The property vests in him under the merger of interests and there would be no tax payable because she has not created any benefit in his favour. There is no gift from her to him. You will recognize the principle.

Let me say here I do want to caution again about this matter of the general rule. I said at the beginning we are going to get into a lot of detail that I do not want to get into. I will be glad to deal with the multiple details if you wish, but I am going to have to qualify what I have just said in regard to the $25,000; in that case, it again depends on the date of the death. I take it the question Mr. Morton was asking was in relation to the case where the husband makes the gift to the wife and the husband dies first. Now again the test will be, was the gift—so far as this gift we are concerned with here —made by him more than three years before the date of his death or within the three-year period?

The CHAIRMAN: As the minister said earlier—and he repeated it a few minutes ago—he is making a general statement. I do wish members of the committee would withhold their questions until the minister has finished with his general statement. Otherwise I do not think we will make proper progress.

Mr. FLEMING (*Eglinton*): We shall be coming back to all of these things in fuller detail when we have the provisions of the particular clauses before us.

I am dealing with the broad changes made by this bill as compared to bill 248 at the last session.

The last one relates to insurance. Here the particular aspect of insurance was not too clearly dealt with under the Succession Duties Act.

As a matter of fact had the act been going on, there would probably be somewhat of a change in the administration in relation to this particular provision of the act.

The question which was raised with respect to bill 248 revolved around the case where an insurance policy is carried on the life of a deceased. Let us say it is a policy that he put on his life in the first place and that his wife is the beneficiary.

The CHAIRMAN: Gentlemen, the minister suggests that if you wish you may take your coats off because it is getting a little warm in here. You are free to do that.

Mr. FLEMING (*Eglinton*): Let me say at once that the offer was not entirely an unselfish one.

Mr. JONES: I am sure you would want to include the officials, Mr. Chairman.

The CHAIRMAN: Oh surely, everybody!

Mr. FLEMING (*Eglinton*): We were speaking of the case of a man—again we come back to the man, because it is probably the more typical case. The man, let us say, has a policy for $50,000 of life insurance, or a number of policies aggregating that sum. His wife is the beneficiary.

At some point or other he transfers the benefit of that policy to his wife. So let us say, it becomes a paid up policy, and that the policy is turned over to the wife. What happens then?

Well, here we have made a departure from bill 248. You will treat that policy now as part of the estate only if the deceased parted with it within three years before his death.

It is looked upon the same as any other gift. I think that is fair and sound in principle. It means however, that we will get less tax. It means a good deal of relief in the tax levied on these estates where insurance forms an important part thereof. But it is remedial, just like the changes we have made in relation to joint property.

Honourable members are aware, of course, that under the Succession Duty Act provisions, any insurance carried by a deceased, even if it is payable to a third person and not payable to his estate, is part of his estate.

Now it remains part of his estate under this bill if he remains the owner of the policy. But if he parts with the ownership of the policy, then the only circumstance, the only way to bring that policy back into his estate is if the deceased parted with the ownership (that means parted with the effective control over the policy) within three years prior to the date of his death.

Now what about the case where the deceased is an officer of a corporation which, under provincial law, has an insurable interest in the life of that person? Or let us say it is a partnership, or a small corporation where this individual is the man around whom the whole business turns. His personal value to this small business is very great.

If you take him out of that small business or out of that partnership, it might be questionable whether the business can carry on.

So, to insure itself against what would thus be a calamity in the life of that business, the business takes out an insurance policy on the life of that officer. It is perfectly lawful and correct under provincial law because the business has an insurable interest in the life of that person.

Here I would like to make it quite clear that if the policy is owned by that corporation, so that it has effective control over that policy, then it does not become part of the estate unless it has acquired effective control by a gift from the deceased within three years prior to his death.

But apart from the creation of an interest by way of gift from the deceased, a policy which is placed by that company on the life of the deceased, exercising its right to insure his life for the protection of the business, is not treated as part of the estate.

I apologize for the length of this general opening statement. I think it might be of interest to members of the committee, in case they have received representations in respect of the features of Bill No. 248, to know the extent to which we have met the representations we have received in relation to Bill No. 248. It might be well for the committee to know these at least in outline at the outset.

The bill does provide as well substantial simplification of procedures. This is something which I think is of interest to all and is going to be a distinct benefit to those who are called upon to bear the responsibility of administration of estates.

Some may say, well, you are creating, are you not, a greater measure of liability on the personal rights of executors and administrators. Yes we are under this bill. That is inherent in the estate tax principle because we are placing the primary liability for payment of these public taxes on the men into whose hands, in the ordinary case, passes the legal—as distinct from the equity—ownership of the assets of the deceased.

We are introducing provisions here that will, we believe, simplify the task of administration. We will come to these provisions in detail.

We are greatly relaxing the restrictions on the deceased person's executors to deal with bank accounts and life insurance policies in a period when he needs money and has not yet got releases of all the assets of the estate.

That is a situation that many an executor or administrator has had to face. He has needed money immediatly to provide for—it may even be the family of the deceased; he has needed money as well to meet obligations of the estate—it might be for payment of funeral expenses; he has needed money often times to pay the deposit on account of the succession duty. The releases which he has been permitted to have up to this present time have been quite limited—$1,500 in the case of life insurance policies.

In many cases the policy was not paid because in addition to the face value of the policy there might have been some accruals on the policy by way of accumulation of dividends which might make the aggregate value of the policy, we will say, $1,800 instead of $1,500.

You will find that in the provisions of this bill we have gone a long way in permitting the personal representative to have ready access to money payable by insurance companies and also to bank accounts to permit him to deal with these situations that arise so often before he obtains his releases of the other assets and is in a position to deal with the assets of the estate.

I apologize, Mr. Chairman, for the length of this opening statement. May I express the hope, Mr. Chairman, that with the very competent officials who are here to discuss in detail the meaning of every single provision in this bill to meet the desire of any member of the committee and to give all the information and explanations that any member may desire or require that the committee would be satisfied to proceed with the bill.

The officials are in a position to tell you about the representations we have had, the views which were expressed to us on behalf of any national organizations who submitted briefs to us. So that it may be possible for the committee to proceed if it meets with the committee's approval.

Mr. Chairman, I would respectfully offer the suggestion that I mentioned earlier that it will, I think, contribute to orderly treatment of the bill and to orderly understanding of the provisions of the bill and to greatly increase the effective discharge of the committee's responsibilities in relation to the bill if the committee saw fit to have these, let us say, more intensive sittings after the manner of the committee that normally sits on the report of the Canadian National Railways and Trans-Canada Air Lines.

There, because they have officials and operating officials of these companies before them, they sit mornings, afternoons and nights until they go through the whole thing. If that course commends itself to the committee we are here at your service, whatever this committee should decide. Our hope, indeed, belief, based on the incidence of the Income Tax Act when it was enacted a few years ago is that this will be the best procedure and is the procedure which will impinge least, in the long run, on the time that hon. members wish to spend in the house rather than sitting in committee.

Thank you very much indeed, Mr. Chairman.

The CHAIRMAN: Thank you, Mr. Minister, for enlightenment on this confusing bill—to my mind.

Now, I would like direction in regard to the suggestion of the minister about the future meetings. I would suggest Monday morning is taken up by the Prime Minister of Ghana and that we would sit after the question period on Monday and sit through until six o'clock and then go on from eight to ten on Monday.

The minister has reminded me that Monday is private members' day so it would be much easier for you to be here than another day.

Mr. DUMAS: Mr. Chairman, I have no objection to what the minister has advised, that we should proceed with expediency on this bill. I think he is right. While we have the officers of this department here I wish to point out that we have other committees sitting and it might be difficult. I have no objection whatever to this committee sitting, let us say, Monday after the orders and any day thereafter for two sessions, one in the afternoon and one in the evening, provided that maybe we can arrange in advance what we would do on Tuesday, for instance. If we are to go on with the bill on Tuesday and if we do not, we know in advance.

Mr. MARTEL: What is the quorum of this committee?

The CHAIRMAN: Ten members.

Mr. WINCH: As far as Monday is concerned I will agree to have two sittings.

The CHAIRMAN: All those in favour of sitting after the question period on Monday and in the evening from eight to ten?

Agreed.

Mr. PASCOE: Where do we meet, down here?

The CHAIRMAN: I cannot tell you yet. There will be a meeting some place on Monday afternoon, I do not know where, and you will be advised as to the time and place as soon as possible.

Mr. PASCOE: When will be the next sitting after Monday?

The CHAIRMAN: I would suggest Tuesday morning.

Mr. FLEMING (*Eglinton*): Is Tuesday morning a popular morning with the committees? Possibly the afternoon.

Mr. MARTEL: Make it the afternoon.

The CHAIRMAN: Tuesday afternoon, is that agreed?

Agreed.

The CHAIRMAN: We will give notice of additional meetings from then on. Now, it is a quarter to one. We will start in on clause 1.

Clause 1 agreed to.

On clause 2—Persons domiciled in Canada:

Mr. FLEMING (*Eglinton*): Mr. Chairman, perhaps a word of explanation is justified on clause 2. I cannot pretend that all the clauses are quite as simple as clause 1. I wish they were. This bill is divided into four parts and with clause 2 we begin our study of part I of the bill. Part I is the part that sets up the estate tax, creates the liability for the tax. Then if you turn to page 29 you will see that we come to part II which applies an estate tax in respect to persons domiciled outside of Canada. That leads me to point out that part I relates exclusively to the estates of persons who die domiciled in Canada. Part II relates to the assets in Canada of persons who die domiciled outside of Canada. Then part III commences at page 33. It is just described as "general". It relates to the administration, collection and enforcement of the tax and deals with particular questions such as transfer of property and consent to transfer. These provisions are largely taken up with enforcement and with machinery. Lastly, at page 44 we have the beginning of part IV of the bill, which is the shortest. It relates to interpretation and application. In other words, the interpretation clauses of this bill are contained in the last part of the bill, part IV, and this part also makes provision for the bringing into force of the new act and for the continuation in force of the old act, the Dominion Succession Duty Act with respect to estates of all persons who die before the coming into force of the new estate tax act.

I was asked a question on that subject in the house and perhaps I might mention the subject here. This whole bill goes into effect on the day on which it is proclaimed. That is referred to in clause 60 of the bill. But it is not a bill which works an automatic repeal of the legislation that it is supplanting. The estate tax is to supplant the succession duty, but there will still need to be a continuation of the succession duty act to govern the collection of the duty on the estates of all persons who die before the new act comes into effect. In other words, suppose the new act came into effect, we will say, on the first of January next; well, as to the estates of all persons who die up to midnight on the 31st of December, you will still have to have the Dominion Succession Duty Act to apply to them. If you repealed the present act, you would not have any way of taxing these estates. They will still have to be taxed too under the old act and, of course, it will be a matter of some time before all the assessments are completed and all the taxes paid under the old act on estates of persons dying prior to the coming into force of the new act. That is the reason why the old act is not immediately repealed by this bill.

I will define the four parts of the bill. Part I now deals with the creation of the estate tax with respect to the estates of persons who die domiciled in Canada.

Mr. THRASHER: May I ask a question in connection with Part I. Why do we use domicile in place of residence for the basis of taxation?

Mr. FLEMING (*Eglinton*): For a good reason. Residence can be parted with very easily. It is one thing to have a residence rule applied to income tax but it is very different in respect of succession duty. Consider a Canadian with a settled Canadian domicile who happened to move across the border and take that residence for six months or a year. That is not a good enough reason for him to escape this tax on his property here. Residence is much too easily changed to be a sound basis for the incidence of an estate tax or succession duty.

Mr. CREAGHAN: What is the meaning of "domicile"?

Mr. FLEMING (*Eglinton*): "Domicile" has its ordinary meaning in the law and, as Mr. Creaghan and all legal luminaries on this committee are aware, and I am sure all hon. members, domicile relates to the settled abode of a person. It is the sort of thing which cannot be quickly put aside, unless the person shows an intent to leave the country of his domicile and take up domicile in another country. It involves a decision and intent and also includes such actions as are required to prove that necessary intent.

Of course, the law requires quite firm proof to establish an intent to change domicile. The word "domicile" will refer for its ordinary meaning to what is well established in the judicial decisions.

Mr. CREAGHAN: Do they not vary from province to province?

Mr. FLEMING (*Eglinton*): We are dealing here with a measure which applies to the whole of Canada. Domicile can be changed from province to province, but what we are concerned with under this federal legislation is domicile in any part of Canada.

Mr. CREAGHAN: I was thinking more of the interpretation of provincial domicile as distinct from Canadian domicile?

Mr. FLEMING (*Eglinton*): I do not think there is any problem there. The rules which have been established in respect of domicile have been pretty uniform in the courts.

Hr. THRASHER: Is there any distinction between domicile in other provinces and the civil law in Quebec?

Mr. FLEMING (*Eglinton*): I do not think there is.

Mr. ALLARD: Are there any provisions in the case of a person disappearing?

Mr. FLEMING (*Eglinton*): You mean where it is not possible to establish his domicile? In those cases the Department of National Revenue would have to look at the circumstances. Did this man have a settled abode in Canada when he disappeared? Obviously the department and the courts would not assume there had been any change in domicile. If up to the time of the disappearance he had a Canadian domicile, then obviously, in the absence of proof that he had by his own decision acted to take up domicile in another country, then they are going to say that he still has a Canadian domicile and his estate will be taxed.

Mr. ALLARD: When it is shown that he has disappeared when is death confirmed?

Mr. FLEMING (*Eglinton*): You mean the presumption of death?

Mr. ALLARD: Yes.

Mr. FLEMING (*Eglinton*): In that case, Mr. Chairman, there are some special provisions, as Mr. Allard knows, in certain of the provinces for making a declaration of presumption of death by the courts. That is universal.

I cannot conceive in this case, if you have something less than the seven years within which you have a sort of rough rule of presumption in certain of the jurisdictions today, apart from the clear circumstances for which the courts of the provinces have made declarations of presumption of death today, of any purpose short of that.

You are not going to have any great difficulty because the moment anybody wants to deal with the estate of a deceased person as though that person is deceased then they have to submit themselves to the provision of this act. No person would have the right to inter-meddle with an estate of a person who has disappeared; a person who disappeared on a voyage or an air flight. No one will have the right to interfere under provincial law with

a single asset of that person's estate without having the authority to do so. Such authority as he might seek to derive in the case of the death of a deceased will have to satisfy the courts in the provinces.

Certainly they are not going to get any right to deal with assets on the basis that they are free of tax liability under this act until they have come forward and have paid their taxes.

Mr. DRYSDALE: Mr. Chairman, I notice in section 1 that all property is going to be taxed. Is this a novel idea in respect of real property? In other words, would property in the United States and other countries be included?

Mr. FLEMING (*Eglinton*): No, Mr. Chairman, there is no novelty in the idea here. I will say something about the converse case in relation to part two of the act.

I am answering a general question but we will come to some specific circumstances.

The ordinary rule is, that if a person dies domiciled in Canada we will have the right to tax his property wherever it may be. That is the rule of the Succession Duty Act today. Again we are coming to these explanations about real estate.

That real estate rule is attributable to an old common law rule, I might say, that roughly translated means that movables or personal property follow the person. That rule has not been applied to real estate. For that reason, with this exception for real estate, the Dominion Succession Duty Act treats as subject to tax the estate of the deceased and his property wheresoever situated and imposes that liability on the property in Canada.

In other words, let us take a simple case where the deceased had $50,000 of property in Canada and $50,000 outside Canada. He is domiciled in Canada—keeping away from the complication in regard to real estate—the Dominion Succession Duty Act says that this man died with an estate of $100,000 and therefore the tax rate moves up as the estate increases in size and he will tax him at the rate applicable to an estate of $100,000. We know that this is exigible from any estate over $50,000.

Canada has tax conventions with number of countries to avoid double taxation in those countries. One of the countries with which Canada has such a tax convention is the United States.

These are intended to avoid double taxation. But there is an ordinary rule. Parliament asserts the right to levy such tax as it chooses on the estate of a person who dies domiciled in Canada, or on any property in Canada belonging to a person who dies domiciled abroad.

In both of these cases Canada asserts its right to levy tax. We say how it is taxed in these respective clauses which follow in the bill.

When you come to part 2, you will see in the case of a person who dies domiciled outside of Canada, that when we tax his property in Canada we are introducing a new and very much simpler basis of taxation.

Mr. RYNARD: Under section 11 of the old act real property was only taxed in Canada but not outside of Canada. But under the new act, all property is taxed including real property.

Mr. FLEMING (*Eglinton*): That is right.

Mr. RYNARD: Why was the change made? Did any other country such as the United States and Great Britain have similar provisions? This is a new idea.

Mr. FLEMING (*Eglinton*): This feature is new, as the explanatory note opposite page 2 indicates. I can deal with it now if you wish.

Again, looking at an estate, we say we should tax the estate including real property situated abroad, and including it in the estate and dealing with it in Canada under this measure.

Again, we have a convention. If you are thinking about the most common case of a citizen of the United States, an American having property in Canada, the tax convention will meet the problem of double taxation.

But in this bill parliament is asserting its right to impose taxation with respect to the accrued estate which is left by the deceased, including real estate outside of Canada.

The calculation of the exemption as applied to such property is something which we will be coming to in the course of the review of the sections of the bill.

The CHAIRMAN: May we call it one o'clock? A motion for adjournment is in order.

Mr. FLEMING (*Eglinton*): Dr. Eaton has a short statement to make at this time.

Dr. A. K. EATON (*Former Assistant Deputy Minister of Finance, Department of Finance*): The statement is quite correct that this is a new feature.

Under the general rules in many succession duty laws of other countries that I know of, they do make this exemption. But in trying to find a good reason for it, I have never succeeded.

There is some argument that if the property is in another country and there are no assets in Canada, you may not be able to collect. I do not think it is a good argument, however, for not trying.

I think it is entirely sound in principle that the total estate should be brought in just as under income tax you tax the world income from all sources. So there would seem to be no good reason why we should depart from this all inclusive rule, and we have not done so.

Mr. DRYSDALE: Are there any administrative difficulties in obtaining taxes on property of a person which is held in other countries?

Mr. Ivan LINTON (*Department of National Revenue*): There might be somebody who had only property outside of Canada and you might not be able to collect taxes on it. But I think it is a very remote contingency.

The committee adjourned.